

January 23, 2026

Q3FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	BUY		BUY	
Target Price	1,557		1,620	
Sales (Rs. m)	20,999	24,961	21,187	25,002
% Chng.	(0.9)	(0.2)		
EBITDA (Rs. m)	3,927	4,822	4,026	4,818
% Chng.	(2.5)	0.1		
EPS (Rs.)	43.6	53.7	44.5	53.7
% Chng.	(1.9)	-		

Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. m)	16,402	18,000	20,999	24,961
EBITDA (Rs. m)	2,919	3,222	3,927	4,822
Margin (%)	17.8	17.9	18.7	19.3
PAT (Rs. m)	2,151	2,367	2,826	3,478
EPS (Rs.)	33.2	36.5	43.6	53.7
Gr. (%)	51.9	10.1	19.4	23.0
DPS (Rs.)	10.3	10.6	13.7	16.9
Yield (%)	1.0	1.0	1.3	1.6
RoE (%)	21.3	20.2	20.9	21.9
RoCE (%)	25.2	23.7	25.2	26.8
EV/Sales (x)	4.0	3.6	3.0	2.5
EV/EBITDA (x)	22.6	20.3	16.3	12.9
PE (x)	32.2	29.2	24.5	19.9
P/BV (x)	6.3	5.6	4.8	4.0

Key Data

KIRP.BO | KKPC IN

52-W High / Low	Rs.1,550 / Rs.953
Sensex / Nifty	81,538 / 25,049
Market Cap	Rs.69bn / \$ 754m
Shares Outstanding	65m
3M Avg. Daily Value	Rs.112.1m

Shareholding Pattern (%)

Promoter's	38.82
Foreign	6.73
Domestic Institution	28.24
Public & Others	26.21
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	3.0	(18.9)	(16.8)
Relative	8.0	(17.7)	(21.9)

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Decent Q3; all eyes on large package dispatches

Quick Pointers:

- The management has guided for revenue to grow by ~12% to ~Rs18.5bn with EBIT margin of ~20% in FY26.
- Dispatch of 2 large package orders of ~Rs1.8bn has been delayed with delivery expected in Q4FY26.

Kirloskar Pneumatic (KKPC) delivered 18.8% YoY revenue growth, alongside 509bps YoY expansion in EBITDA margin to 19.5% in Q3FY26. During the quarter, persistent dispatch delays led to a build-up of inventory in large packages and impacted revenue recognition. However, improved procurement efficiencies supported margin expansion. The management has guided for Rs18-18.5bn revenue in FY26, supported by expected inventory liquidation by Q4FY26. Tezcatlipoca continues to be a key growth driver, with plans underway to double its manufacturing capacity. Refrigeration is expected to account for the lion's share of revenue going forward, led by new product introductions and consumption-driven demand from end-industries such as F&B, dairy and pharma, while O&G is yet to witness a meaningful recovery, despite a modest uptick in order finalizations during the quarter. We revise our FY26/27E EPS estimates by -4.2%/-1.9%, considering the ongoing slowdown in inventory clearances. The stock is currently trading at a PE of 24.5x/19.9x on FY27/28E. We maintain our 'BUY' rating with a TP of Rs1,557 (Rs1,620 earlier), valuing the business at a PE of 32x Sep'27E (33x Sep'27E earlier) amid uncertainties surrounding dispatches and finalizations.

Long-term view: We remain watchful on the execution and finalizations in the short term. However, we believe KKPC is well placed for healthy long-term growth driven by 1) product launches in air compression (Tezcatlipoca, ARiA) to capture centrifugal and low-end screw compressor markets that are import-dominated; 2) launch of new products – Calana and Jarilo – to address opportunities in CNG daughter stations and CBG plants, respectively; 3) launch of Tyche and Khione, and acquisition of S&C India to enhance penetration in commercial and industrial refrigeration; 4) focus on building in-house IP and backward integration capabilities; and 5) strong cash flows and balance sheet.

Execution below estimates; profitability jumps: Revenue increased by 18.8% YoY to Rs4.1bn (PLe: Rs4.6bn), with Compression Systems sales rising by 20.1% YoY to Rs3.8bn. Gross margin improved by 329bps YoY to 51.7%. EBITDA came in at Rs794mn vs. Rs494mn in Q3FY25 (PLe: Rs763mn). EBITDA margin improved by 509bps YoY to 19.5% (PLe: 16.7%) aided by gross margin expansion and operating leverage. Adj PBT surged 58.1% YoY to Rs772mn (PLe: Rs735mn). Adj PAT also rose by 50.1% YoY to Rs552mn (PLe: Rs547mn) driven by better operating performance, partially offset by higher effective tax rate (29.5% vs. 24.7% in Q3FY25). During the quarter, the company recorded exceptional loss of Rs183mn in accordance with the new labor codes implemented by the Government of India.

Healthy order book of Rs19.4bn provides decent visibility: 9MFY26 order intake stood at Rs13.7bn (-8.5% YoY), likely due to delays in finalization of large package order. Order book currently stands at Rs19.4bn (1.2x of TTM revenue), up 3.2% YoY.

Exhibit 1: Gross margin expansion (+329bps YoY) drives profitability (EBITDA margin up 509bps YoY)

Y/e March (Rs mn)	Q3FY26	Q3FY25	YoY gr.	Q3FY26E	% Var.	Q2FY26	QoQ gr.	9MFY26	9MFY25	YoY gr.
Revenue	4,069	3,426	18.8%	4,568	-10.9%	3,864	5.3%	10,750	10,486	2.5%
Gross Profit	2,104	1,659	26.8%	2,183	-3.6%	1,842	14.2%	5,375	5,175	3.9%
Margin (%)	51.7	48.4	329	47.8	390.8	47.7	404	50.0	49.4	65
Employee Cost	513	450	14.1%	530	-3.2%	497	3.2%	1,514	1,319	14.8%
as % of sales	12.6	13.1	(52)	11.6	100.8	12.9	(25)	14.1	12.6	150
Other expenditure	797	715	11.5%	891	-10.5%	760	4.9%	2,149	2,034	5.7%
as % of sales	19.6	20.9	(128)	19.5	8.7	19.7	(8)	20.0	19.4	60
EBITDA	794	494	60.7%	763	4.1%	585	35.7%	1,712	1,822	-6.1%
Margin (%)	19.5	14.4	509	16.7	281.3	15.1	437	15.9	17.4	(145)
Depreciation	81	65	24.0%	85	-4.7%	78	3.8%	234	221	6.0%
EBIT	713	429	66.2%	678	5.2%	507	40.6%	1,478	1,602	-7.7%
Margin (%)	17.5	12.5	500	14.8	268.4	13.1	440	13.7	15.3	(153)
Other Income	61	60	1.3%	60	1.7%	72	-15.3%	217	166	30.5%
Interest	2	1	185.7%	3	-33.3%	5	-60.0%	9	1	900.0%
PBT (ex. Extra-ordinaries)	772	488	58.1%	735	5.1%	574	34.5%	1,686	1,767	-4.6%
Margin (%)	19.0	14.3	472	16.1	288.6	14.9	412	15.7	16.9	(117)
Extraordinary Items	(183)	-	-	-	-	-	-	(183)	-	-
PBT	589	488	20.6%	735	-19.8%	574	2.6%	1,503	1,767	-14.9%
Total Tax	174	121	44.3%	187	-7.1%	136	27.9%	397	455	-12.7%
Effective Tax Rate (%)	29.5	24.7	485	25.5	404.2	23.7	-	26.4	25.7	-
Reported PAT	415	368	12.8%	547	-24.2%	438	-5.3%	1,106	1,312	-15.7%
Adj. PAT	552	368	50.1%	547	0.9%	438	26.1%	1,243	1,312	-5.3%
Margin (%)	13.6	10.7	283	12.0	158.4	11.3	223	11.6	12.5	(95)
Adj. EPS	8.5	5.7	50.2%	8.5	0.9%	6.8	26.1%	19.2	20.2	-5.2%

Source: Company, PL

Exhibit 2: Compression Systems revenue increases by 20.1% YoY to Rs3.8bn; EBIT margin expands by 536bps YoY to 24.5%

Segment Revenue (Rs mn)	Q3FY26	Q3FY25	YoY gr.	Q3FY26E	% Var.	Q2FY26	QoQ gr.	9MFY26	9MFY25	YoY gr.
Compression Systems	3,825	3,184	20.1%	4,268	-10.4%	3,547	7.8%	9,893	9,806	0.9
Other Non reportable Segments	244	242	0.7%	300	-18.7%	317	-23.0%	857	680	26.1
Mix (%)										
Compression Systems	94.0	92.9	107.2	93.4	57.1	91.8	221	92.0	93.5	(149.2)
Other Non reportable Segments	6.0	7.1	(107.2)	6.6	(57.1)	8.2	(221)	8.0	6.5	149.2
Segment EBIT (Rs mn)										
Compression Systems	937	610	53.7%	952	-1.6%	710	32.0%	2,062	2,140	(3.6)
Segment EBIT Margin (%)										
Compression Systems	24.5	19.1	535.5	22.3	9.9%	20.0	448	20.8	21.8	(98.1)

Source: Company, PL

Conference Call Highlights

- **Guidance:** The management has guided for revenue to grow by ~12% YoY to ~Rs18.5bn along with PBT of ~Rs3.5bn in FY26. The management is targeting 20% EBIT margin going forward as the basket of non-traditional business increases, which is margin lucrative compared to compressors. For FY27, the management anticipates revenue growth of 20% YoY.
- **Healthy order backlog:** Unlike last year's backlog, which included ~Rs6.0bn of large package orders, the current order book of ~Rs19.4bn has no such large package orders, implying smoother sales progression in FY27. The management highlighted that the current order book has a mix of non-traditional orders, which is driving confidence in next year's growth.
- **Zephyros scale-up roadmap:** KKPC targets Rs50bn opportunity directly through its commercial refrigeration solutions Zephyros. The management expects Zephyros approvals in Q4FY26, with scaling up planned post PLI approval. The company will initially execute both package supply and installation for the first 200-300 packages, before transitioning to package-only supply with installation outsourced to third parties. The PLI application for this project involves a capex of Rs3bn with additional Rs2bn planned over the next few years and targeting 5x sales.
- **Air compressors (~20% of total sales):** Tezcatlipoca centrifugal compressors continue to perform well. KKPC has invested in new CNC machines to double the capacity of Tezcatlipoca, slated to come on stream from Q1FY27. The management also highlighted that the A-800 frame centrifugal compressor (starting ~600 CFM) is in alpha testing, and is targeted for launch before Q1FY27 as a replacement for dry screw compressors. Further, a small-CFM oxygen compressor is under development, and is expected to be launched by Q1FY27.
- **Refrigeration compression (~40% of total sales):** The management highlighted that sales of the Khione package have picked up and stabilized, while sales of the Tyche semi-hermetic compressor have commenced and are scaling up, with market share gains anticipated in the ~Rs20bn import dominated market over the next 3 years.
- **Gas compression (~30% of total sales):** The management noted a meaningful recovery in the process gas segment, albeit with only a modest uptick in order finalizations, during the quarter. KKPC received incremental orders in hydrogen and biogas, execution of which is expected to start from Q1FY27. The management also highlighted improving traction from the MENA region for CNG packages. However, despite a better pipeline, the management expects the segment to remain broadly flat in FY26.
- **Exports:** The management has guided the export revenue to be ~Rs1.4bn for FY26 (implying +13% YoY), driven by the process gas business in the MENA region.
- **Capex worth ~Rs900mn planned in FY26:** The company has incurred a total capex of Rs540mn till date and expects to incur ~Rs900mn in FY26.

Financials

Income Statement (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	16,402	18,000	20,999	24,961
YoY gr. (%)	24.0	9.7	16.7	18.9
Cost of Goods Sold	8,649	9,360	10,919	12,937
Gross Profit	7,753	8,640	10,080	12,024
Margin (%)	47.3	48.0	48.0	48.2
Employee Cost	1,789	2,034	2,331	2,721
Other Expenses	3,045	3,384	3,822	4,480
EBITDA	2,919	3,222	3,927	4,822
YoY gr. (%)	44.3	10.4	21.9	22.8
Margin (%)	17.8	17.9	18.7	19.3
Depreciation and Amortization	291	347	414	460
EBIT	2,628	2,875	3,513	4,362
Margin (%)	16.0	16.0	16.7	17.5
Net Interest	4	11	13	14
Other Income	222	270	294	319
Profit Before Tax	2,808	2,951	3,794	4,668
Margin (%)	17.1	16.4	18.1	18.7
Total Tax	696	767	967	1,190
Effective tax rate (%)	24.8	26.0	25.5	25.5
Profit after tax	2,113	2,184	2,826	3,478
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	2,151	2,367	2,826	3,478
YoY gr. (%)	51.9	10.0	19.4	23.0
Margin (%)	12.9	13.0	13.3	13.8
Extra Ord. Income / (Exp)	(39)	(183)	-	-
Reported PAT	2,113	2,184	2,826	3,478
YoY gr. (%)	58.5	3.4	29.4	23.0
Margin (%)	12.9	12.1	13.5	13.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,113	2,184	2,826	3,478
Equity Shares O/s (m)	65	65	65	65
EPS (Rs)	33.2	36.5	43.6	53.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	5,115	5,906	6,647	7,187
Tangibles	4,859	5,604	6,308	6,821
Intangibles	257	302	339	367
Acc: Dep / Amortization	1,962	2,309	2,723	3,183
Tangibles	1,743	2,067	2,455	2,885
Intangibles	219	241	269	298
Net fixed assets	3,154	3,597	3,924	4,004
Tangibles	3,115	3,537	3,853	3,936
Intangibles	38	60	71	69
Capital Work In Progress	213	322	331	341
Goodwill	-	-	-	-
Non-Current Investments	1,873	2,102	2,123	2,507
Net Deferred tax assets	(182)	(182)	(182)	(182)
Other Non-Current Assets	3	4	4	5
Current Assets				
Investments	2,686	2,700	3,700	4,500
Inventories	2,154	2,663	3,049	3,624
Trade receivables	4,804	4,932	5,753	6,839
Cash & Bank Balance	670	1,121	1,542	2,375
Other Current Assets	551	468	525	599
Total Assets	16,472	18,507	21,640	25,601
Equity				
Equity Share Capital	130	130	130	130
Other Equity	10,833	12,319	14,425	17,012
Total Network	10,962	12,449	14,555	17,142
Non-Current Liabilities				
Long Term borrowings	6	6	6	6
Provisions	102	122	128	141
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	100	100	100	100
Trade payables	2,159	2,466	2,992	3,693
Other current liabilities	2,834	3,056	3,551	4,210
Total Equity & Liabilities	16,472	18,507	21,641	25,601

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	2,808	2,951	3,794	4,668
Add. Depreciation	291	347	414	460
Add. Interest	4	11	13	14
Less Financial Other Income	222	270	294	319
Add. Other	(73)	-	-	-
Op. profit before WC changes	3,031	3,309	4,221	5,142
Net Changes-WC	(227)	(248)	(334)	(488)
Direct tax	(654)	(767)	(967)	(1,190)
Net cash from Op. activities	2,150	2,294	2,919	3,463
Capital expenditures	(777)	(900)	(750)	(550)
Interest / Dividend Income	53	-	-	-
Others	(829)	(235)	(1,015)	(1,176)
Net Cash from Inv. activities	(1,554)	(1,135)	(1,765)	(1,726)
Issue of share cap. / premium	29	-	-	-
Debt changes	1	-	-	-
Dividend paid	(486)	(698)	(720)	(890)
Interest paid	3	(11)	(13)	(14)
Others	(4)	-	-	-
Net cash from Fin. activities	(458)	(708)	(733)	(904)
Net change in cash	138	451	421	833
Free Cash Flow	1,370	1,394	2,169	2,913

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share(Rs)				
EPS	33.2	36.5	43.6	53.7
CEPS	37.7	41.9	50.0	60.8
BVPS	169.1	192.2	224.7	264.7
FCF	21.1	21.5	33.5	45.0
DPS	10.3	10.6	13.7	16.9
Return Ratio(%)				
RoCE	25.2	23.7	25.2	26.8
ROIC	27.9	25.6	30.1	34.5
RoE	21.3	20.2	20.9	21.9
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.3)	(0.4)	(0.4)
Net Working Capital (Days)	107	104	101	99
Valuation(x)				
PER	32.2	29.2	24.5	19.9
P/B	6.3	5.6	4.8	4.0
P/CEPS	28.3	25.5	21.3	17.6
EV/EBITDA	22.6	20.3	16.3	12.9
EV/Sales	4.0	3.6	3.0	2.5
Dividend Yield (%)	1.0	1.0	1.3	1.6

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY25	Q1FY26	Q2FY26	Q3FY26
Net Revenue	5,916	2,817	3,864	4,069
YoY gr. (%)	114.9	(34.6)	12.8	(31.2)
Raw Material Expenses	3,338	1,388	2,022	1,965
Gross Profit	2,578	1,429	1,842	2,104
Margin (%)	43.6	50.7	47.7	51.7
EBITDA	1,097	333	585	794
YoY gr. (%)	179.4	(64.4)	18.4	(27.6)
Margin (%)	18.5	11.8	15.1	19.5
Depreciation / Depletion	71	75	78	81
EBIT	1,026	258	507	713
Margin (%)	17.3	9.2	13.1	17.5
Net Interest	3	2	5	2
Other Income	56	84	72	61
Profit before Tax	1,080	340	574	772
Margin (%)	18.3	12.1	14.9	19.0
Total Tax	241	87	136	174
Effective tax rate (%)	22.3	25.6	23.7	22.5
Profit after Tax	839	253	438	598
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	839	253	438	598
YoY gr. (%)	22.3	(5.9)	(35.1)	62.6
Margin (%)	14.2	9.0	11.3	14.7
Extra Ord. Income / (Exp)	(39)	-	-	(183)
Reported PAT	801	253	438	415
YoY gr. (%)	33.0	(5.9)	(35.1)	12.8
Margin (%)	13.5	9.0	11.3	10.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	801	253	438	415
Avg. Shares O/s (m)	65	65	65	65
EPS (Rs)	13.0	3.9	6.8	9.2

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jan-26	BUY	1,620	1,058
2	04-Dec-25	BUY	1,620	1,047
3	28-Oct-25	BUY	1,620	1,150
4	07-Oct-25	BUY	1,636	1,198
5	16-Sep-25	BUY	1,636	1,260
6	24-Jul-25	BUY	1,636	1,316
7	09-Jul-25	BUY	1,636	1,412
8	25-Apr-25	BUY	1,636	1,230
9	09-Apr-25	BUY	1,568	1,108
10	19-Mar-25	BUY	1,564	1,148

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	5,540	5,299
2	Apar Industries	Hold	9,431	8,184
3	BEML	Hold	1,982	1,861
4	Bharat Electronics	Hold	407	416
5	BHEL	Hold	245	263
6	Carborundum Universal	Hold	894	824
7	Cummins India	Hold	4,172	4,148
8	Elgi Equipments	Accumulate	561	472
9	Engineers India	BUY	255	205
10	GE Vernova T&D India	BUY	4,005	3,151
11	Grindwell Norton	Hold	1,744	1,576
12	Harsha Engineers International	Hold	407	395
13	Hindustan Aeronautics	BUY	5,507	4,525
14	Ingersoll-Rand (India)	Accumulate	4,271	3,395
15	Kalpataru Projects International	BUY	1,494	1,174
16	KEC International	BUY	932	717
17	Kirloskar Pneumatic Company	BUY	1,620	1,058
18	Larsen & Toubro	BUY	4,766	4,157
19	Praj Industries	Hold	353	322
20	Siemens	Accumulate	3,470	3,134
21	Siemens Energy India	Accumulate	3,312	2,603
22	Thermax	Accumulate	3,513	3,069
23	Triveni Turbine	Accumulate	609	533
24	Voltamp Transformers	BUY	10,318	7,720

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock

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